

***Early On*[®] Michigan**

IDEA Part C Maintenance of Effort (MOE) Q&A

Is the IDEA Part C MOE requirement the same as the IDEA Part B MOE requirement?

No, the statute and regulations concerning MOE are different for IDEA Part C than they are for IDEA Part B.

What is the citation for the IDEA Part C MOE requirement?

34 CFR § 303.225 Prohibition against supplanting

(a) Each application must provide satisfactory assurance that the Federal funds made available under section 643 of the Act to the State:

- (1) Will not be commingled with State funds; and
- (2) Will be used so as to supplement the level of State and local funds expended for infants and toddlers with disabilities and their families and in no case to supplant those State and local funds.

(b) To meet the requirement in paragraph (a) of this section, the total amount of State and local funds budgeted for expenditures in the current fiscal year for early intervention services for children eligible under this part and their families must be at least equal to the total amount of State and local funds actually expended for early intervention services for these children and their families in the most recent preceding fiscal year for which the information is available. Allowance may be made for—

- (1) A decrease in the number of infants and toddlers who are eligible to receive early intervention services under this part; and
- (2) Unusually large amounts of funds expended for such long-term purpose as the acquisition of equipment and the construction of facilities.

Is this a new requirement with the 2011 IDEA Part C Regulations?

No, this requirement was also in the 1998 regulations (§ 303.124 in the 1998 Regulations).

What is the required test for IDEA Part C MOE?

The Part C of IDEA requires that the statewide total amount budgeted from state and local funds for Part C early intervention services must meet or exceed the most recent calculation of statewide actual expenditures from state and local funds for Part C early intervention services. The statute and regulations do not include a requirement for each local service area to maintain effort on an individual basis, however for the aggregated statewide effort to be maintained it is necessary for local service areas to maintain effort.

Will there also be a comparison of actual expenditures reported for a given year to the actual expenditures reported for the prior year?

Until such time as federal guidance requires this additional test, a comparison of actual expenditures from one year to the prior year will not be completed.

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How will information about level of effort be collected from local service areas?

Actual expenditure information will be gathered using the Financial Information Database (FID). Budgeting information will be gathered using the annual *Early On* application/contract in the Michigan Electronic Grants System *Plus* (MEGS+).

How will MDE use the information about level of effort for IDEA Part C collected in the FID and in MEGS+?

The MDE will sort from the FID the expenditures that are reported as expenditures for *Early On* Part C and provided with non-federal funds (program codes 080 and 271, grant codes 1xx, 2xx, 3xx, 000, or 9xx). The total of all such expenditures for an intermediate school district (ISD) will be considered the level of effort that has been provided and must be maintained for that ISD. The total of all such expenditures for all ISDs will be considered the level of effort that has been provided and must be maintained for Part C.

The MDE will capture the amounts reported in MEGS+ as budgeted from non-Federal funds for *Early On*/Part C services. The sum of all amounts reported will represent the statewide amount of state and local funds which are budgeted for Part C/*Early On* services.

MDE will compare the state level of budgeted funds to the most recent state level expenditures.

What figure becomes the “baseline” for measurement of MOE?

The expenditures from non-federal public funds related to providing services for *Early On* children reported in the FID establish the minimum amount of non-federal public funds which must be budgeted for providing *Early On* in subsequent years.

What happens if Michigan does not meet the IDEA Part C MOE requirement?

Failure to maintain the aggregated statewide effort may impact the eligibility of Michigan for Part C of IDEA funding which could result in loss of funding to local service areas.

What happens if a local service area fails to maintain effort?

MDE may require an ISD that fails to maintain effort to pay to the state, from non-federal funds, an amount equal to the amount of any non-allowable reduction in effort. Failure to maintain effort by a local service area may also result in MDE placing financial sanctions on the local service area.

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What justifications are allowed for reduction in effort for IDEA Part C?

Allowance may be made for—

- (1) A decrease in the number of infants and toddlers who are eligible to receive early intervention services under this part; and
- (2) Unusually large amounts of funds expended for such long-term purpose as the acquisition of equipment and the construction of facilities.

What data will be used for determining whether a decrease in the number of infants and toddlers who are eligible to receive *Early On* services exists?

MDE will use census data and the current child find target to determine whether there is a decrease in the number of infants and toddlers projected to be eligible for *Early On* services. MDE may additionally use a breakdown of this census data by ISD to determine whether a decrease in the number of infants and toddlers projected to be eligible for *Early On* services exists within local service areas.

Where can local service areas find this information about the number of infants and toddlers who are eligible to receive *Early On* services?

This census information and the breakdown by ISD will be posted on the *Early On* website at www.michigan.gov/earlyon. This information may be used for reporting justifications in MEGS+ in the event that a local service area has a reduction in effort.

Is there allowance for a reduction in level of effort when a child for whom there were higher costs related to type of disability or intensity of services exits the IDEA Part C system?

No, IDEA Part C does not include an allowance for a reduction in effort under such a circumstance. Although districts may explain this situation using the “other” text box on the confirmations page in MEGS+, such a reduction is not specified as an allowed reduction in the IDEA Part C statute or regulations.

Is there allowance for reduction in level of effort due to cost reductions when a senior staff member retires and is replaced with a new staff member at lower cost to the system?

No, IDEA Part C does not include an allowance for a reduction in effort under such a circumstance. Although districts may explain this situation using the “other” text box on the confirmations page in MEGS+, such a reduction is not specified as an allowed reduction in the IDEA Part C statute or regulations.

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Are local service areas allowed to decrease spending if MDE reduces the allocation to the service area?

The amount of spending from state and local sources would **not** be able to be reduced. The allocation from the federal grant is not included in the amounts of budgeted or actual costs for purposes of MOE. If the federal Part C grant allocation to an ISD is reduced, the grand total spending (from state, local, and federal source) could be reduced by the amount of the allocation reduction. That reduction, of spending from federal grant funds, would not be reflected in the MOE calculations.

Sequestration is creating a temporary reduction in allocations to service areas. If a service area fills that gap with non-federal funds, what effect will that have on IDEA Part C MOE and will an allowance be made for reduction in effort when sequestration ends?

If a local service area fills the gap with **private non-federal funds**, it will not impact IDEA Part C MOE. If a local service area fills the gap with **public non-federal funds**, it will increase the level of effort required for IDEA Part C MOE.

At this time there is not an allowance in place to reduce level of effort for IDEA Part C in this circumstance when sequestration and further impacts from the Budget Control Act ends. **Federal** legislation would need to be passed to create such an allowance.

What funds are included when calculating effort for IDEA Part C?

Any funds that originate from state public sources or local public sources are included when calculating effort. Examples of these are: Michigan Mandatory Special Education funding, funding from a local millage, School Aid Section 81 funds, county funds.

Funds originating from federal sources are not included when calculating effort. Examples of these sources include: IDEA Part C funds, Head Start funds, Medicaid reimbursements (if those reimbursements are deposited into a general fund).

Funds originating from private sources **are not** included when calculating effort. Examples of these sources include: Foundation funds, private donations.

Do Medicaid reimbursements need to be deducted when calculating effort for IDEA Part C?

If Medicaid reimbursements are credited to the district's general fund and not specifically used for early intervention, they do not get deducted during the calculation of effort. If Medicaid reimbursements are used specifically for early intervention services, they need to be deducted during the calculation of effort.

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How should a local service area determine the amount to include in the budgeted amount for a staff person who provides services to both *Early On* children and older children?

The local service area will need to determine a projected cost for the time spent with *Early On* children and include that amount in the budgeted figure. Personnel Activity Reports (PARs) are one tool that may be helpful in this process. The local service area should develop a reasonable process for generating a budgeted amount and document how the budgeted figure was determined.

Is it a problem if these expenditures have also been included in the calculation of our IDEA Part B MOE?

As a birth mandate state, Michigan has funds that are used for multiple purposes—funds used for provision of special education services which are also early intervention services listed on IFSPs for children birth to three participating in IDEA Part C/*Early On*. These costs need to be included in the reporting of IDEA Part C MOE. These costs must also be reported on the SE-4096 Special Education Actual Cost Report. Unless guidance from MDE-Office of Special Education directs otherwise, do not change what is reported for IDEA Part B MOE.

Should costs related to providing services listed on an Individualized Family Service Plan (IFSP) as “other services” be included in the calculation of effort for IDEA Part C?

No, only include costs related to the provision of IDEA Part C early intervention services listed on an IFSP.

What are the codes in the FID that are to be used in reporting the expenditures for early intervention?

Expenditures must be coded to the grant and program.

Districts that have previously used program code 270 in financial records for expenditures related to providing special education services (MARSE 340.1755) should continue to use program code 270 for expenditures for children ages three to five and expenditures related to children birth to age three for whom parents have declined *Early On* services. Any of these expenditures related to serving children participating in *Early On* should be coded with **program code 271**: Early Childhood Services - birth to three.

All other expenditures related to providing *Early On* services, regardless of funding source, should be coded with **program code 080**: Early Intervention – birth to three. Expenditures for individuals such as administrative assistants, secretaries and other support staff would be included.

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Expenditures paid with federal IDEA Part C funds should be coded to **grant code 757**: IDEA Part C Infant and Toddler – Formula Grant. Expenditures paid with **state or local funds** would be coded to **grant codes** 1xx, 2xx, 3xx, 000, or 9xx, as appropriate.

If a local lead agency purchases services from a local education agency (LEA), what is the implication for IDEA Part C MOE?

MDE is working closely with federal contacts and awaiting guidance from the federal Office of Special Education Programs to determine the level to which cost information must be collected to meet the IDEA Part C MOE requirement.

If the LEA provides financial support for the provision of IDEA Part C early intervention services from state public funds or local public funds, that amount may need to be included in the calculation of effort. The contract or other agreement with the LEA may need to be modified to include a requirement to report all expenditures for IDEA Part C services in the FID using program and grant codes. The local lead agency may also need to develop a means to collect information about budgeting of state public funds or local public funds so the amount can be included in the amount that the local lead agency reports as being budgeted when submitting the annual *Early On* application in MEGS+.

To whom should questions about IDEA Part C MOE be directed?

Please direct questions to:

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